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MARAD AUTHORIZATION, FISCAL YEAR 1990

APRIL 25, 1989.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. JONES of North Carolina, from the Committee on Merchant Marine and Fisheries, submitted the following

REPORT

[To accompany H.R. 1486]

[Including cost estimate Congressional Budget Office]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 1486) to authorize appropriations for fiscal year 1990 for the Maritime Administration, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert the following:

SECTION 1. In fiscal year 1990, the following amounts are authorized to be appropriated for the Maritime Administration—

(1) any amounts necessary to liquidate obligations under operating-differential subsidy contracts for the fiscal year 1990 portion of the total of current contract authority;

(2) $3,750,000 for research and development activities, to remain available until expended, including—

(A) $2,250,000 for vessel design and shipyard studies; and

(B) $1,500,000 for other research.

(3) $33,205,000 for expenses related to manpower, education, and training, including—

(A) $23,157,000 for maritime training at the Merchant Marine Academy at Kings Point, New York;

(B) $8,670,000 for assistance to the State maritime academies and the current fleet of five training ships; and

(C) $1,378,000 for manpower and additional training;

(4) $25,966,000 for operating programs, including—

(A) $17,853,000 for general administration;

(B) $957,000 for development of water transportation systems; and

(C) $7,156,00 for use of water transportation systems; and

(5) $246,909,000 for expenses related to national security support capabilities, including—

(A) $245,608,000 for the National Defense Reserve Fleet, including—

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(i) $86,865,000 for fleet additions, replacements, acquisitions, and upgrading of vessels for the Ready Reserve Force;

(ii) $118,615,000 for maintenance and operations programs in support of the Ready Reserve Force; and

(iii) $4,000,000 for Ready Reserve Force facilities;

(iv) $29,550,00 for Ready Reserve Force vessel conversions; and

(v) $6,578,000 for other programs in the National Defense Reserve Fleet; and

(B) $1,301,000 for emergency planning operations.

SEC. 2. (a) Section 1304(g) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295c(g)) is amended—

(1) in paragraph (1)(B), by striking "and" the second place it appears;

(2) in paragraph (1), by striking subparagraph (C) and substituting the following:

"(C) paid by the Secretary for the first complete or partial academic year of attendance to the individual in a lump sum of $1,200 or on a prorated basis based on actual attendance, and at a time during the second academic year when the individual enters into an agreement accepting midshipman and enlisted reserve status as required under paragraph (2); and

"(D) paid by the Secretary for the academic years after those years specified in subparagraph (C) as the Secretary shall prescribe while the individual is attending the academy.";

(3) in paragraph (2), by striking "apply for midshipman" and substituting "accept midshipman and enlisted reserve";

(4) in paragraph (3)(D), by striking "to apply for an appointment as,"; and

(5) in paragraph (4), by striking "has attended a State maritime academy for not less than two years" and insert "has accepted the payment described in paragraph (1)(C) of this subsection".

(b) The amendments made by this section apply to individuals who commence attendance after December 31, 1989, at a State maritime academy in accordance with section 1304 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295c).

SEC. 3. With the funds authorized under this Act, the Secretary of Transportation, after consultation with other agencies in the Executive Branch and the State, regional, and Federal maritme academies, shall submit to Congress a study within one year to determine who currently employed training vessels, U.S.-flag commercial vessels, vessels in the Ready Reserve Force, and other vessels under the control of the United States Government may be used to provide training opportunities for State, regional, and Federal maritime academy students that will produce licensed graduate officers. This study shall include data on the cost effectiveness to the United States Government; cost impacts on the affected State governments; safety of any vessels involved; safety of the students; operational and scheduling impacts upon the several entities; liability exposure; and the impact on national security sealift. No changes in current shipboard training programs at the State maritime academies are authorized until completion of this study and review by the Congress.

SEC. 4. Section 1304(d)(1) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295c(d)(1)) is amended—

(1) after "(d)(1)" by inserting "(A)"; and

(2) striking the second sentence and substituting:

"(B) Subject to clause (C) of this paragraph, the annual payment to the academy under this subsection shall be at least equal to the amount given to the academy for its maintenance and support by the State in which it is located, or, for a regional maritime academy, by all States cooperating to sponsor the academy.

"(C) The amount under clause (B) of this paragraph may not be more than $25,000, or—

"(i) $100,000 if the academy satisfies subsection (f)(2) of this section; or

"(ii) $200,000 if the regional maritime academy satisfies subsection (f)(2) of this section.".

SEC. 5. Section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744) is amended to read as follows:

"SEC. 11. (a) The Secretary of Transportation shall maintain a National Defense Reserve Fleet, including any vessel assigned by the Secretary to the Ready Reserve Force component of the Fleet, consisting of those vessels owned or acquired by the United States Government that the Secretary, after consultation with the Secretary of the Navy, determines are of value for national defense purposes and that the Secretary of Transportation decides to place and maintain in the Fleet.

"(b) Except as otherwise provided by law, a vessel in the Fleet may be used only—

"(1) for an account of an agency of the United States Government during a period during which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1242); or

"(2) under a charter, contract, or other agreement arranged by the Secretary of Transportation.

"(c) The Secretary of Transportation may enter into a contract for the maintenance of the Fleet, including the Force, only for—

"(1) the repair, activation, operation, berthing, towing, or lay-up of a vessel;

"(2) a vessel used by a State maritime academy; and

"(3) obtaining maintenance technical services when—

"(A) the technical expertise required for that service is beyond the capabilities of the Fleet staff or when the Fleet has insufficient personnel resources to adequately maintain the Fleet; and

"(B) the contract does not result in reducing employment at the Fleet site.".

SEC. 6. Section 1214 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1294) is amended by striking "1990." and substituting "1995.".

NATIONAL MARITIME ENHANCEMENT INSTITUTE

SEC. 7. (a) ESTABLISHMENT.—The Secretary of Transportation may designate National Maritime Enhancement Institutes.

(b) SCOPE.—Activities undertaken by the Institute include—

(1) conducting research concerning methods for improving maritime industries' performance;

(2) enhancing the competitiveness of domestic maritime industries in international trade;

(3) forecasting trends in maritime trade;

(4) assessing technological advancements;

(5) developing management initiatives and training;

(6) analyzing economic and operational impacts of regulatory policies and international negotiations or agreements pending before the international bodies;

(7) assessing the compatibility of domestic maritime infrastructure systems with overseas transport systems;

(8) fostering innovations in maritime transportation pricing; and

(9) improving maritime economics and finance.

(c) APPLICATION.—An institution seeking designation as a National Maritime Enhancement Institute shall submit an application under regulations prescribed by the Secretary.

(d) SELECTION CRITERIA.—The Secretary shall select a designee under this Act on the basis of the following criteria:

(1) the demonstrated research and extension resources available to the designee for carrying out this subsection;

(2) the capability of the designee to provide leadership in making national and regional contributions to the solution of both long-range and immediate problems of the domestic maritime industry;

(3) an established program encompassing research and training directed to enhancing maritime industries;

(4) a demonstrated ability to assemble and evaluate pertinent information from national and international sources and to disseminate results of maritime industry research and educational programs through a continuing education program; and

(5) the designee be a nonprofit institution of higher learning.

(e) ELIGIBILITY FOR GRANTS.—The Secretary may make research grants to an Institute from amounts appropriated for that purpose.

PURPOSE OF THE BILL

The purpose of H.R. 1486 is to authorize Fiscal Year 1990 (FY 90) appropriations for certain maritime programs of the Maritime Administration (MarAd) of the Department of Transportation (DOT). The bill, as amended, also includes program improvements for the State maritime academies, an amendment to the Merchant Ship Sales Act of 1946 with regard to the National Defense Reserve

Fleet (NDRF), an extension of war risk insurance, and a designation of National Maritime Enhancement Institutes.,

H.R. 1486 responds to the requirements of section 209 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1119). This section provides that only the funds that Congress authorizes by law may be appropriated for the use of the Maritime Administration for the following purposes:

(1) acquisition, construction, or reconstruction of vessels;

(2) construction-differential subsidy (CDS) and cost of national defense features incident to the construction or reconditioning of ships (not funded since fiscal year 1982);

(3) payment of obligations incurred for operating-differential subsidy (ODS);

(4) expenses necessary for research and development (R&D) activities;

(5) reserve fleet expenses;

(6) maritime training at the Merchant Marine Academy at Kings Point, New York;

(7) financial assistance to State maritime academies;

(8) the Vessel Operations Revolving Fund;

(9) expenses necessary to carry out additional training;

(10) expenses necessary to carry out maritime education and training requirements; and

(11) other operations and training (O&T) expenses related to the development and use of waterborne transportation systems, and general administration.

The bill responds to the requirements of rule X of the Rules of the House of Representatives granting legislative and general oversight responsibility to the Committee on Merchant Marine and Fisheries to review and study, on a continuing basis, the application, administration, execution, and effectiveness of those laws and programs involving the merchant marine and those related to the limited regulation of common carriers by water.

H.R. 1486 is intended to provide MarAd with the means to carry out its responsibility for programs to promote a strong U.S. merchant marine for the waterborne carriage of U.S. foreign and domestic commerce and for national defense purposes.

Background and Need for the Legislation

On March 22, 1989, the Merchant Marine Subcommittee of the Committee on Merchant Marine and Fisheries conducted a hearing on H.R. 1486 relating to certain maritime program authorizations for the Maritime Administration in the Department of Transportation. The Subcommittee received the Department of Transportation's views via budget documents and the testimony of the Deputy Administrator of the Maritime Administration. All funding levels requested by the Administration for FY 1990 and related legislative proposals were made available during the hearing and markup sessions. The Executive Communication (unofficially transmitted) containing the Administration's proposal was received by the Committee on April 18, 1989, too late to be considered prior to the bill being reported.

The Administration's budget request is summarized in the following Budget Comparisons table.

MARITIME ADMINISTRATION 1990 BUDGET SUMMARY

[In thousands of dollars]

	1988	1989	1990	Change	
				Technical	Program
Operating-differential subsidy	222,918	218,100	225,870	7,770	.....
Ocean freight differential	40,605	49,740	47,750	(1,990)	.....
Operatings and training:					
Merchant Marine Academy:					
Maintenance/modification	5,769	5,758	8,075	467	1,850
Other	14,521	14,532	15,082	550	.....
Total	20,290	20,290	23,157	1,017	1,850
State maritime schools:					
Direct payments	600	600	600	.....	.....
SIP's	600	1,700	1,500	.....	(200)
Maintenance and repair	15,700	5,700	5,300	(730)	400
Other ship-sharing	.....	.....	1,200	1,200	.....
Total	16,900	8,000	8,670	470	200
Additional training	1,244	1,172	1,378	56	150
Total	38,434	29,462	33,205	1,543	2,200
National security support capability:					
NDRF	9,161	6,464	6,578	114	.....
Emergency planning and operations	1,121	1,236	1,301	65	.....
Total	10,282	7,700	7,879	179	.....
Other operating programs	26,805	29,088	27,466	(2,217)	595
Total	75,521	66,250	68,550	(495)	2,795
Ready Reserve Force:					
Fleet additions	362	32,400	86,865	.....	54,465
Maintenance/operations	73,715	75,351	118,615	.....	43,264
Facilities	.....	3,000	4,000	.....	1,000
TACS/vessel conversions	.....	.....	29,550	.....	29,550
Total	74,077	110,751	239,030	.....	128,279
Subtotal	.....	.....	.....	5,285	131,074
Federal ship financing fund supplement	.....	515,000	.....	(515,000)	.....
Total	413,121	959,841	581,200	(509,715)	131,074

H.R. 1486 reorganizes the budget categories in the chart above and divides them into five basic functions: operating-differential subsidy; research and development; manpower, education, and training; operations; and national security support capabilities. An explanation of these functions follows:

(1) Operating-differential subsidy is paid to U.S. companies to enable them to operate U.S.-flag ships competitively in the U.S. foreign trade by offsetting certain portions of the excess of U.S. operating costs over comparable foreign ship operating costs. Direct subsidies were first provided to American liner operators under the Merchant Marine Act, 1936. The Merchant Marine Act of 1970 ex-

panded the coverage to include bulk carrier ships. The 1970 Act also established new procedures for determining subsidy for wages and subsistence.

There are two distinct subsidy programs for bulk carriers: for those carriers engaged in the worldwide trade and for those in the special bulk commodities trade. Carriers in the worldwide trade are under long-term subsidy contracts and provide an established amount of service in this trade. This compares to the program for liner carriers that provide established amounts of service on defined trade routes. Together, these programs comprise the "regular" ODS program. Carriers in the special bulk commodities trade are generally under one-year contracts, are not required to provide an established level of service, and are paid subsidy only when actively engaged in voyages related to special bulk movements.

The 1990 budget authority includes amounts necessary to liquidate contract obligations under the ODS program. Rather than speculating in the legislation on the amount that may be required to liquidate contract authority obligations for those eligible vessels that are certain to operate in FY 1990, plus those who might come on-line for any of several reasons, the Committee decided to authorize the expenditure of funds, limited only by the total of the obligation to which the Government has—by contract and under the provisions of Title VI, Merchant Marine Act, 1936—agreed. The Committee estimates that the actual outlay for ODS—if no changes in the program were approved—would be around $226 million. If the Administration's reform legislation were enacted, the contemplated ODS program would include estimated liabilities for operation of 26 additional ship-years per annum estimated by MarAd to result in added average annual subsidies of $64,811,000.

(2) The research and development function ($3,750,000) is necessary to develop concepts, methods, systems, and equipment that will improve productivity and operating efficiency in the U.S. shipbuilding and ship operating industries. Programs are aimed at the development of information and technology that will result in lower shipbuilding costs, operating costs, and Government subsidies for both ship construction and operation.

The Administration did not request R&D funding for fiscal year 1990 and actively opposes any Government R&D activity. However, the Administration did include $1.5 million for "technical studies" in MarAd's General Operations funding request. H.R. 1486 reallocates the $1.5 million to the R&D program.

The Committee notes that the President's Commission on Merchant Marine and Defense in its Second Report recommended that the Departments of Defense and Transportation seek "increased R&D funding for merchant marine and shipbuilding technology related activities that have industry wide, defense related applications." The Commission cited the National Shipbuilding Research Program as a beneficial initiative that could be revived and expanded. (In 1985, the program claimed a one-year savings of nearly $75 million on a $7 million investment.) H.R. 1486 authorizes $2.25 million for vessel design and shipyard studies.

(3) Manpower, education, and training ($33,205,000) are functions within MarAd that prepare for a United States merchant marine

capable of meeting the commercial trade and the national security requirements of the United States.

The Maritime Administration operates the U.S. Merchant Marine Academy at Kings Point, New York, where cadets are trained to become licensed merchant marine officers. As of April 1989, the Academy had an enrollment of 815 students. In June 1988, the Academy graduated 200 students and, in July 1987, 272 students entered the Academy. MarAd reduced the 1984 enrollment by 10 percent, the 1985 enrollment by another 10 percent, and the 1986 enrollment by another 5 percent—for a total reduction of 25 percent. It is estimated that 180 students will graduate when the reduction takes full effect in 1989. Graduates are generally employed at sea as deck or engineering officers or ashore in maritime-related industries.

This authorization provides for the operation of the base program of the Academy, which offers a four-year undergraduate course of strudy that leads to a bachelor of science degree and a Coast Guard-issued merchant marine license as a third mate or third assistant engineer. The students are also enrolled as midshipmen in the Naval Reserve and, if eligible, are commissioned as ensigns in the Naval Reserve or may accept an appointment as a commissioner officer in a reserve component of another armed force. This authorization will also permit the continuation of a long-range modernization program for renovation and upgrading of facilities that are over 42 years old, with particular emphasis on renovation of the Academy's central heating and distribution system.

The Maritime Administration administers Federal Government payments and student incentive payments [SIP] to six State maritime academies that are located in California, Maine, Massachusetts, Michigan, New York, and Texas. In 1988, these schools had a total enrollment of approximately 2,078 and graduated about 493 students. Graduates are generally employed at sea as deck or engineering officers or ashore in maritime-related industries.

For fiscal year 1986, the State maritime academies were funded collectively at a Federal cost of $12 million, which included $8 million for the maintenance and repair of training vessels, $2.4 million for student incentive payments, $.6 million for direct aid, and $.85 million for fuel oil. For fiscal year 1987, the Administration proposed to terminate Federal financial support except for student incentive payment obligations previously incurred. Congress instead appropriated $9 million for financial support. For fiscal year 1988, the Administration proposed, for a second time, termination of Federal financial support. Congress, however, appropriated $9 million for the schools. For fiscal year 1988, there was also a one-time $10 million appropriation to complete conversion and repair of a replacement training vessel for the State University of New York Maritime College.

H.R. 1486 authorizes $8,670,000 for the operation and maintenance of five training ships and for financial assistance to the six State academies. The Committee received 1988 data from MarAd that $5.7 million in maintenance and repair was sufficient to maintain the status quo in terms of training vessel management. Inflation would increase this amount to $6.17 million in fiscal year 1990.

Adding approximately $600,000 in direct payments to the schools and $1.5 million for the SIP program, the total would be $8,270,000. While not specifically allotted, the remaining $400,000 could be used to assist with fuel oil costs as authorized in the 1980 Maritime Education and Training Act or to fund additional direct payments provided to the Great Lakes Regional Academy as provided for in section 4 of this bill.

Section 1305 of the Merchant Marine Act, 1936 authorizes the Maritime Adminsitration to prescribe, conduct, and supervise courses of instruction it deems necessary to supplement other training facilities. Under the current program, eligible personnel are trained in shipboard firefighting, use of collision avoidance radar, gyro compass operation and maintenance, use of Loran, and operation and maintenance of medium- and slow-speed diesel propulsion engines. The basic objectives of this program are to assist in providing a trained shipboard workforce; improve safety of life and property in shipboard operations; and prevent pollution resulting from ship collisions, groundings, and fire. User charges are levied for radar and diesel engine courses.

(4) The operations function ($25,966,000) provides authority for overall agency program direction and for general administration of the agency.

Operating programs, authorized at $25,966,000, include:

"Development of water transportation systems" at $957,000—for programs to promote the development and construction of const-competitive U.S. merchant ships;

"Use of waterborne transportation systems" at $7,156,000—for programs to make U.S. vessel operations more competitive with foreign vessels, mainly the administration of the ODS program;

"General administration" at $17,853,000—for accounting, budget, personnel, and other associated support programs.

(5) National Security Support Capabilities ($246,909,000) includes expenses associated with maintenance of the National Defense Reserve Fleet, which includes the Ready Reserve Force [RRF] and the Emergency Planning Operations Program.

The NDRF provides an inventory of ships to supplement the active fleet in time of war or national emergency. The fleet is the only source of reserve breakbulk shipping capacity available to the United States during a military or commercial shipping crisis. Reserve fleet sites are also used as repositories for ships awaiting disposal. Within the NDRF, a subset of ships identified by the Navy is being maintained in a higher state of readiness to permit full activation within 5–20 days of notification. This subset is referred to as the Ready Reserve Force. The Emergency Planning Operations Program develops plans and procedures to ensure continuity and control of maritime operations in time of national emergency.

For fiscal year 1990, the Administration has requested, and H.R. 1486 provides, funding to cover expenses associated with the management of the RRF by the Maritime Administration. Funding for programs for the acquisition, maintenance, and upgrading of the RRF was established in 1977. Through fiscal year 1981, funding for the maintenance of RRF vessels could be found in the MarAd budget. However, starting in 1984—when the Navy began purchas-

ing, with its funds, privately-owned ships for the RRF—disagreements arose that questioned MarAd's responsibility, control, and the related budget authority over the RRF. The dispute has been resolved, and the Administration's budget is consistent with the agreement between the Department of Defense and the Department of Transportation as well as the position taken by Congress on this issue. H.R. 1486 is identical to the Administration's request in terms of funding for the RRF.

Expenses related tc National Security Support Capabilities include several specific activities. The "fleet additions" activity provides for adding or replacing ships in the RRF by acquisition on the open market or by upgrading ships already in the NDRF. The FY 1990 authorization contemplates addition of eight ships to achieve a total of 106 by the end of FY 1990. Of the additional eight ships, six will be acquired and two upgraded from current NDRF stocks. The number and type of ships required are based on current planning factors. The "maintenance and operations" activity provides for maintaining RRF ships in an advanced state of reactivation readiness, costs associated with berthing at dispersed locations, activations and deactivations, and special programs required to support the RRF. The base program provides for the general maintenance of the NDRF, while additional funding is provided for "emergency planning operations."

Committee Action

The Subcommittee on Merchant Marine held a hearing on March 22, 1989. Testimony was received from representatives of the Maritime Administration (Department of Transportation); the Military Sealift Command (Department of Defense); the California Maritime Academy, Great Lakes Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, State University of New York Maritime College, and Texas Maritime Academy; and the Shipbuilders Council of America. Material was received for inclusion in the record from the Seafarers International Union of North America, Transportation Institute, and United Shipowners of America.

On April 11, 1989, the Subcommittee on Merchant Marine met to mark up H.R. 1486. Chairman Jones added language to section 3 of the bill to clarify that the training opportunity study required by the legislation was training "on board vessels." H.R. 1486, as amended, was then reported to the Full Committee by unanimous voice vote.

On April 18, 1989, the Full Committee met in markup session to consider H.R. 1486, as amended by the Subcommittee. Five amendments were offered and unanimously accepted.

Amendment No. 1, offered by Chairman Jones, struck the sum of the several authorization categories to reflect the open nature of the authorization for the liquidation of obligations under the operating-differential subsidy contracts entered into between the Government and ship operators. The amendment, rather than setting a speculative limit, authorized expenditures limited by the terms of the extant contracts. Finally, the amendment adjusted the amounts authorized for assistance to State schools to eliminate an erroneous

inclusion of moneys in that line item that were intended for a purpose (ship-sharing) not approved by the Committee.

Amendment No. 2, offered by Chairman Jones, extends until 1995 the currently authorized war risk insurance program. Section 1214 of the Merchant Marine Act, 1936 authorizes the Secretary of Transportation to provide insurance against loss or damage resulting from hostilities when that insurance cannot be obtained on reasonable terms and conditions from insurance companies authorized to do business in a State of the United States.

Amendment No. 3, offered by Chairman Jones, amends section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744) to limit the use to which vessels in the National Defense Reserve Fleet, including the Ready Reserve Force, may be put. It also limits the contracting out of maintenance work on the NDRF.

Amendment No. 4, offered by Congressman Studds, further reinforces the concern over Administration-proposed changes in student training programs that are not supported by adequate analysis. The Studds amendment requires the Secretary to submit to Congress, within one year, a study on shipboard training opportunities—including use of U.S.-flag commercial vessels, RRF vessels, and other U.S. Government-controlled vessels. The amendment prohibits changes in current shipboard training programs at the State maritime academies until completion of the study and review by Congress.

Amendment No. 5, offered by Congressman Tauzin, authorizes the Secretary of Transportation to designate National Maritime Enhancement Institutes among one or more nonprofit institutions of higher learning.

All amendments were accepted by the Committee, and H.R. 1486 was passed, as amended, by voice vote. The amendments are incorporated in the reported bill.

Section-by-Section Analysis

H.R. 1486 authorizes the appropriation of $309,830,000 for maritime programs of the Department of Transportation, other than the operating-differential subsidy program, that are managed by the Maritime Administration, and such sums as may be required to liquidate that portion of the ODS program encumbered in FY 90.

SECTION 1—MARITIME ADMINISTRATION

The programs for the Maritime Administration are designed to promote the development of a U.S.-flag merchant marine for the domestic and foreign trades and for national security requirements. The categories are as follows:

(1) Operating-Differential Subsidy: Some $4.7 billion remains as outstanding obligations under contracts entered into between the Secretary of Transportation and certain U.S. vessel operators. The Maritime Administration estimates the average remaining lives of these contracts to be 8.5 years, resulting in an estimated potential FY 90 obligation of $550 million. Based on current trade and shipping activity, actual outlays—given no structural change in the ODS program—would approximate $226 million, representing 70 ship-years of activity.

The Administration estimates that additional sums would be expended under this program if its ODS reform program were in effect prior to or during FY 90. However, the Administration has not sent up its reform legislation; and the Congress, in addressing the same issue in the recent past, has not estimated the cost of a revised ODS program at the same levels as have past Administrations. Therefore, the Authorization level established in this section for ODS is left unspecified—except to the extent it is capped at the annualized level of outstanding obligations under Title VI of the Merchant Marine Act of 1936.

This program is necessary for the promotion and maintenance of a U.S.-flag merchant marine capable of providing liner shipping services in essential routes and bulk shipping services in support of the economic security and the national defense of the United States. These subsidies are designed to achieve parity between certain U.S.-flag and foreign-flag ship operating costs.

(2) Research and Development: The bill authorizes $3,750,000 for R&D activities of the Maritime Administration. These activities include programs that develop concepts, methods, systems, and equipment to improve productivity and operating efficiency in the shipbuilding and ship operating industries. Of the total, $1.5 million is transferred from technical studies, which was included in the Administration's funding request under "operations and training". $2.25 million is specifically authorized for vessel design and shipyard studies.

(3) Manpower, Education, and Training: The bill authorizes $33,205,000 for this function.

(A) Merchant Marine Academy, Kings Point, New York: The bill authorizes $23,157,000 for maritime education and training programs at the Merchant Marine Academy to develop and maintain a four-year undergraduate program that leads to a bachelor of science degree, a merchant marine officer's license as third mate or third assistant engineer, and a commission as an ensign in the Naval Reserve. These funds will also permit the continuation of a long-range modernization program for renovating and upgrading facilities that are over 42 years old, with particular emphasis on renovation of the Academy's central heating plant and distribution system.

(B) State Maritime Academies: The bill authorizes $8,670,000 as the Government's contribution for 1990 to the Federal-State maritime education program as envisioned by the Maritime Education and Training Act of 1980 (46 App. U.S.C. 1295). These funds are for financial assistance to the six State academies and for the operation and maintenance of their training vessels. This assistance includes the cost of alterations, repairs, and general maintenance of the current fleet of five training vessels at the State academies; direct annual payments of $100,000 to each academy or, in the case of a regional academy up to $200,000 per year as provided by the change contained in Section 4 of this bill; and student incentive payments in support of cadets, amounting to $1,200 per academic year for each qualified cadet.

(C) Additional Training: The bill authorizes $1,378,000 for administering and operating school programs at the agency level, for con-

ducting supplementary training courses, and for the costs of developing and maintaining current data on the maritime labor force.

(4) Other Operating Programs: The bill authorizes $25,966,000 for the general administration of policies and programs of MarAd and for in-house training. This is $1,500,000 less than what the Administration requested because $1.5 million for program and technical studies has been shifted to research and development provided for in this bill.

(5) National Security Support Capabilities: The bill authorizes $246,909,000 for expenses related to national security support capabilities and includes those expenses associated with the funding and management of the Ready Reserve Force, previously funded by the Department of the Navy.

(A) National Defense Reserve Fleet: $245,608,000 is for the National Defense Reserve Fleet (which includes the RRF):

(i) Ready Reserve Force Additions: $86,865,000 is authorized for RRF additions. Previous funding for this program has been within the Navy's budget, and its transfer does not represent an overall increase in the Federal budget. Funding for programs for the acquisition, maintenance, and upgrading of the RRF was established in 1977. Through fiscal year 1981, funding for the maintenance of RRF vessels in a high state of readiness was in the MarAd budget. It has only been since 1984—when the Navy began purchasing, with its funds, privately-owned vessels for the RRF—that questions of responsibility, control, and the related budget authority have been raised. In 1987, agreement was reached as to the responsibility of MarAd for the RRF, and the budget this year reflects that agreement.

(ii) Maintenance of the RRF: H.R. 1486 authorizes $118,615,000 to be used for maintenance and operations programs in support of the RRF. RRF vessels are maintained in an advanced state of readiness so that they can be activated in 5 days, 10 days, or 20 days.

(iii) Facilities: $4,000,000 is authorized for maintenance and expansion of facilities and service craft necessitated by the planned expansion of the Ready Reserve Force.

(iv) RRF Vessel Conversions: $29,550,000 is authorized to convert two crane ships out of the 12-crane ships Navy program. The conversion of the 12 crane ships are part of the long-term requirements planned by the Navy for the Ready Reserve Force.

(v) Other Programs: $6,578,000 is authorized for other programs for maintenance and support of the National Defense Reserve Fleet.

(B) Emergency Planning Operations: The bill authorizes $1,301,000 for emergency planning operations programs to ensure continuity and control of maritime operations in time of national emergency.

SECTION 2—STUDENT INCENTIVE PAYMENT PROGRAM

This section amends section 1304(g) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295c(g)) to increase the commitment to the Federal Government of students receiving student incentive payments. This program assists certain individuals attending State maritime academies.

At the present time, students receive these payments for the first two academic years and do not have to enter into a U.S. Naval Reserve agreement until their third year. Some never enter into an agreement and receive a windfall of $2,400 ($1,200 for each of two years) without any reciprocal benefit to the Government.

The changes to the SIP program will not move the commitment and agreement date to the second year. These changes provide that the student would be given a lump sum payment of $1,200 for the first year, payable in the second year only after an agreement is signed by the student and accepted by the Government.

SECTION 3—TRAINING OPPORTUNITIES ONBOARD VESSELS

This section requires the Secretary of Transportation after consulting with other agencies and the State maritime academies—to submit to Congress, within one year, a comprehensive study on training opportunities onboard vessels that will produce licensed graduate officers at the State maritime academies. The study is to determine how currently employed training vessels, U.S.-flag commercial vessels, vessels in the Ready Reserve Force, and other U.S.-controlled vessels may be used for onboard training.

The purpose of this section is to study alternatives to the Administration's ship-sharing program that it had planned to implement in 1990 with three ships and, in 1991, with two ships. Because of the testimony and abundant information supplied to the Committee in opposition to a two-ship ship-sharing program, other alternatives must be seriously and thoroughly studied, and the feasibility of all alternatives comparatively analyzed before moving towards implementation of a change in shipboard training at our State schools.

SECTION 4—REGIONAL MARITIME ACADEMIES

This section amends section 1304(d)(1) of the Merchant Marine Act, 1936 (46 App. U.S.C. 1295c(d)(1)) to increase direct payments to a regional maritime academy. At the present time, the five State academies and the one regional academy each receive $100,000 in direct payments from the Federal Government, provided the State or cooperating States match that sum. In the case of the five State schools, they also have received moneys for expenses related to the operation of their training vessels.

Because the only existing regional academy has chosen to train it cadets on active commercial Great Lakes vessels, no maintenance and repair or fuel oil funds are provided by MarAd. Thus, to provide more equitable treatment to the regional academy and to encourage greater participation by the cooperating States for a regional academy, the Maritime Administrator is directed to make payments to a regional academy, not to exceed $200,000 per year. The increased payments to the existing regional academy, however, should not exceed approximately $35,000 for FY 90, that being the approximate amount of the contribution by the States in the region which exceeds the current $100,000 State contribution. No additional budget authority is required or sought.

SECTION 5—MERCHANT SHIP SALES ACT AMENDMENTS

This amends Section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744), which established the National Defense Reserve Fleet. The amendment clarifies the relationship between the Maritime Administration (which manages the Fleet) and the Department of the Navy (which, under an agreement with the Department of Transportation, identifies certain vessels as part of the Ready Reserve Force). It sets out the terms under which the Navy can activate and use the vessels in the RRF. Further, the amendment would prevent contracting-out of maintenance on ships in the NDRF, except for those activities enumerated in this section.

SECTION 6—WAR RISK INSURANCE

This section amends Section 1214 of the Merchant Marine Act, 1936 to reauthorize the Secretary of Transportation's authority to provide war risk insurance when it cannot be reasonably obtained from private insurance companies authorized to do business in a State of the United States. The period of extension is five years.

SECTION 7—NATIONAL MARITIME ENHANCEMENT INSTITUTE

This section authorizes the Secretary of Transportation to designate National Maritime Enhancement Institutes. Any institution interested in being so designated must submit an application to the Administrator of the Maritime Administration in the Department of Transportation in conformance with the regulations prescribed by the Secretary of Transportation. The Secretary shall select the designee on the basis of the criteria set forth in this section of H.R. 1486. The Secretary is authorized to make research grants to the designee from amounts appropriated for the Institute, but H.R. 1486 does not authorize, by its own terms, any appropriation for this grant activity.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)((4) of rule XI of the Rules of the House of Representatives, the Committee has assessed the potential for inflationary impact and has concluded that H.R. 1486 has little, if any, inflationary impact. The enactment of the bill will provide support for programs that promote, develop, and maintain an American merchant marine. These programs will undoubtedly have a stimulative impact upon the national economy. The dollar value return to the American economy (in the form of increased employment in depressed areas, increased international trade in aid of our balance of payments, and increased business activity of peripheral industries) should provide nationwide economic benefits far in excess of the proposed expenditures. Therefore, it is the judgment of the Committee that the inflationary impact of this legislation as a component of the total Federal budget is substantially outweighed by its positive impact upon economic recovery and stability.

COST OF THE LEGISLATION

Pursuant to clause 7 of rule XIII of the rules of the House of Representatives, the Committee estimates the total outlays of this legislation at $535,830,000. The Committee has not received a different cost estimate from any affected Executive department or agency.

COMPLIANCE WITH HOUSE RULE XI

With respect to the requirements of clause 2(l)(3) of rule XI of the Rules of the House of Representatives:

(A) The Deputy Administrator, Maritime Administration (Department of Transportation); the Commander, Military Sealift Command (Department of Defense); the presidents of the State maritime academies; and one witness from the private sector appeared during one day of hearings held by the Subcommittee on Merchant Marine of the Committee on Merchant Marine and Fisheries. This hearing included oversight of the laws and programs affecting the Maritime Administration.

(B) The requirements of section 308(a) of the Congressional Budget Act of 1974 are not applicable to this legislation since it does not provide new budget authority or new or increased expenditures.

(C) The Committee on Merchant Marine and Fisheries has received no report from the Committee on Government Operations of oversight findings and recommendations arrived at pursuant to clause 4(c)(2) of Rule X of the Rules of the House of Representatives.

(D) The Director of the Congressional Budget Office has furnished the Committee with an estimate and comparison of costs for H.R. 1486, pursuant to section 403 of the Congressional Budget Act of 1974. The submission is as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 25, 1989.

Hon. WALTER B. JONES,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 1486, a bill to authorize appropriations for fiscal year 1990 for the Maritime Administration.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: H.R. 1486.
2. Bill title: A bill to authorize appropriations for fiscal year 1990 for the Maritime Administration.

3. Bill status: As ordered reported by the House Committee on Merchant Marine and Fisheries, April 18, 1989.

4. Bill purpose: H.R. 1486 would authorize fiscal year 1990 appropriations to the Maritime Administration (MARAD) for research and development ($3.75 million), operations and training ($67.05 million) and Ready Reserve Force (RRF) activities ($239.03 million). In aggregate, these amounts are $4.5 million more than the President's request and about $133 million above the agency's fiscal year 1989 appropriations.

Section 1 of the bill would also authorize the appropriation of whatever amounts are necessary to liquidate 1990 obligations under operating differential subsidy contracts. In fiscal year 1989, $248.9 million was appropriated for this purpose, but only about $218 million is presently expected to be necessary. Approximately $226 million is estimated to be needed to liquidate 1990 obligations under current law.

Section 2 of the bill would amend provisions in the Merchant Marine Act relating to Student Incentive Payments (SIPs). The amendment is intended to reduce federal losses incurred when students drop out of program before graduation but after stipends have been awarded.

Section 7 would permit the Secretary of Transportation to designate eligible nonprofit institutes of higher learning as "national maritime enhancement institutes." The Secretary would be permitted to make research grants to the new institutes from any funds made available in appropriation acts. No sums would be authorized specifically for this purpose.

Other provisions of H.R. 1486 would affect MARAD operations and policies by restricting planned contracting initiatives, requiring new studies, and amending or reauthorizing various sections of the Merchant Marine Act.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1990	1991	1992	1993	1994
Authorization level	310				
Estimated outlays	172	117	21		

The costs of this bill fall within budget function 400.

Basis of estimate: For purposes of this estimate, it is assumed that the full amounts authorized will be appropriated for fiscal year 1990. Authorization levels are those specified in the bill. Outlays have been estimated on the basis of historical spending patterns for these programs. No sums for liquidation of operating differential subsidy obligations have been included as part of the authorization level or estimated outlays in the above table because such spending is the result of previously provided contract authority.

Section 2 would restructure the SIP program to reduce losses incurred when state maritime cadets who have received the $1,200 annual stipend drop out of the program before they have signed any commitment to the federal government. If participation levels

were reduced to reflect the proposed change, potential savings would be between $0.5 million and $1 million a year at current program levels (much less in the first two or three years). However, any savings realized would depend on annual appropriations actions; if these do not fall to reflect the lower requirement, no savings would be realized. No budget impact has been included in this estimate for any potential savings under Section 2.

Similarly, the provisions of Section 5 (restricting contracting out of certain services) would not change the amounts authorized for MARAD activities and would thus have no net impact on the agency's budget. However, by preventing scheduled contracting initiatives from taking place, this section could reduce anticipated savings of up to $300,000 in fiscal year 1990 and may force the agency to cancel or delay other activities to compensate.

Other provisions of this bill are expected to have no significant impact on the federal budget, including the five-year reauthorization of the war risk insurance program now set to expire on June 30, 1990.

6. Estimated cost to state and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Deborah Reis.

10. Estimate approved by: C.G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

Departmental Reports

In addition to testimony received at the March 22, 1989 hearing from the Deputy Administrator of the Maritime Administration, the Committee received the following Departmental Report from the General Counsel of the Department of Transportation, dated April 18, 1989:

U.S. Department of Transportation,
Washington, DC, April 18, 1989.

Hon. Walter B. Jones,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, DC.

Dear Mr. Chairman: We understand that on April 18, 1989, the Merchant Marine and Fisheries Committee is scheduled to mark up H.R. 1486, a bill "To authorize appropriations for fiscal year 1990 for the Maritime Administration, and for other purposes," as reported by the Subcommittee on Merchant Marine on April 11, 1989.

As there are substantial differences between H.R. 1486 and the Administration's request for MarAd, we would appreciate your consideration of the following views when you mark up H.R. 1486.

Section 1 of H.R. 1486 would authorize funds for fiscal year 1990 only. The Administration proposal would authorize funds for 1990, until expended, and also authorize such sums as may be necessary for fiscal year 1991. The Administration's proposal is a more appropriate approach.

Section 1 (1) of H.R. 1486 would authorize $250 million for operating-differential subsidy (ODS). This contrasts with the Adminis-

tration's ODS request of $225,870,000 or, upon enactment of ODS Reform legislation, $178,240,000 for ODS payments under existing contracts and $57,760,000 for new agreements authorized by such legislation.

Section 1 (2) of H.R. 1486 would authorize $3,750,000 for research and development (R&D) activities. This amount would consist of $2,250,000 for vessel design and shipyard studies, and $1.5 million for other research. The $1.5 million, included in our proposal under Other Operations and Training Expenses for technical and program studies, is tailored to the most essential programs for Federal involvement. This funding is required to provide a firm expression of Government interest in support of cooperative programs of the maritime community, especially when major funds are contributed from other sources, and for policy and program studies to improve the management of maritime-related Government programs. The additional funds in H.R. 1486 for vessel design and shipyard studies, while supportive of an important segment of the maritime industry, should be conducted by the ongoing joint effort between industry and the Navy with the coordinating role being provided by the maritime technical and program study personnel of this Department.

Section 1 (3) of H.R. 1486 would authorize $34,005,000 for maritime education and training expenses. This would consist of $23,157,000 for the U.S. Merchant Marine Academy, $9,470,000 for the State Maritime Academies, including fuel oil assistance, and $1,378,000 for manpower and addtional training. The only difference between section 1 (3) of H.R. 1486 and the Administration proposal is the additional amount of $800,000 provided by H.R. 1486 for fuel oil assistance to the State Maritime Academies. The Administration has never requested funding for this purpose, because it is an operating cost appropriately borne by the training institution and, therefore, we are opposed to this provision in H.R. 1486.

Section 1 (4) of H.R. 1486 would authorize $25,966,000 for operating programs. This amount would consist of $17,853,000 for general administration, $957,000 for development of water transportation systems, and $7,156,000 for use of water transportation systems. The total amount is $1.5 million less than the amount provided in our proposal. H.R. 1486 has reallocated this $1.5 million to R&D in section 1(2). The Administration continues to be opposed to the authorized of funds for maritime R&D programs.

Section 1 (5) of H.R. 1486 would authorize $246,909,000 for national security support capabilities. This amount conforms with the amount requested in our proposal for national security support capabilities, and for necessary expenses to acquire and maintain a surge shipping capability in the NDRF in an advanced state of readiness and related programs. However, H.R. 1486 allocates this total amount to various functions, whereas our bill does not. The Administration prefers the flexibility provided in its proposal.

Section 2 of H.R. 1486 would amend section 1304(g) of the Merchant Marine Act, 1936, as amended (46 App. U.S.C. 1295c(g)), to impose more stringent requirements on the Student Incentive Payment (SIP) Program at the State Maritime Academies.

The Administration opposes such an approach, as it fails to address the basic problem of generating sufficient reserve obligations

among the graduates of the State Maritime Academies. Our proposal would replace the SIP Program with a reserve commitment applicable to all students in a merchant marine officer program at the State Maritime Academies. The SIP Program was intended to insure an adequate supply of licensed officers for the active merchant fleet and, with its reserve obligation, to insure a supply of officers for future national defense contingencies. Unfortunately, only about one-third of the cadets that graduate from the State Maritime Academies fully participate in the SIP Program and are obligated to apply for a reserve commission. Moreover, the requirement for licensed officers for the active merchant fleet has diminished as the fleet has declined. The most compelling need for merchant marine officers is the reserve manpower necessary to staff expanded sealift requirements during a national emergency. The Administration's position is that a more appropriate approach is the phaseout of SIPs and initiation of a Reserve commitment which would ensure that all graduates of State merchant marine officer programs are available to meet U.S. requirements during a national emergency. Funds made available by the SIP phaseout would be used to increase direct payments to the six academies.

Therefore, our proposal would amend section 1304(f) of the Merchant Marine Act, 1936, as amended (46 App. U.S.C. 1295c(f)), so that as a condition of receiving Federal assistance (direct payments and training ships) the State Maritime Academies must agree in writing to require each U.S. citizen entering the academy in a merchant marine officer preparation program, as a condition for graduation, to (i) pass the U.S. Coast Guard license exam, and (ii) apply for, and accept if offered, an appointment as a Commissioned officer in a reserve unit of an armed force, and serve for six years. This requirement is already in place at the U.S. Merchant Marine Academy. Section 1304(d) (46 App. U.S.C. 1295c(d)), would be amended so that the reprogrammed SIP funds would be added to current levels of direct payments to these schools for a total of not to exceed $400,000 in direct payments to each school, rather than the present annual payment ceiling of $100,000. Finally, section 1304(g) (46 App. U.S.C. 1295c(g)) would be amended to terminate SIP Program authority on March 30, 1990.

Section 3 of H.R. 1486 would require the Secretary of Transportation, after consultation with other Executive Branch agencies and the various maritime academies, to submit to the Congress a study on providing training opportunities on board vessels for State, Regional, and Federal Maritime Academy students that will produce licensed graduate officers. The provision requires that this study address certain specified subjects, such as cost effectiveness to the U.S. Government of various alternatives. We believe the requirement for a new study is unnecessary and therefore we are opposed to it.

Section 4 of H.R. 1486 would amend section 1304(d)(1) of the Merchant Marine Act, 1936, as amended (46 App. U.S.C. 1295c(d)(1)), concerning the annual maintenance and support payments made to a State or Regional Maritime Academy by this Department. For the State Maritime Academies, the annual payments would continue to be limited to $100,000, provided out-of-state students are admitted. The $100,000 ceiling for a Regional Maritime Academy

would be raised to $200,000. The Administration is opposed to section 4 of H.R. 1486, because we are unaware of any compelling reason why a Regional Maritime Academy should receive $200,000, and the other State Maritime Academies half that amount. Additionally, there is no need for this amendment as we propose increasing this ceiling amount for all State and Regional Maritime Academies to $400,000, as a corollary to elimination of the SIP Program.

Section 5 of H.R. 1486 would amend section 11 of the Merchant Ship Sales Act of 1946 (50 App. U.S.C. 1744), to prohibit the Secretary of Transportation after January 1, 1989, from entering into a contract for the maintenance of the NDRF, including the RRF, except (a) for a contract for the repair, activation, operation, or layup of a vessel; or (b) for a vessel used by a State Maritime Academy. The Administration is strongly opposed to section 5 of H.R. 1486. At the present time, the entire operation of each of the three NDRF sites and the maintenance of certain outported RRF ships assigned to these sites are being reviewed for possible contracting out under OMB Circular A-76. Should contracting out occur, quality assurance and contractor oversight would be provided by a retained staff of Department employees located at the NDRF sites. Section 5 of H.R. 1486 would (a) prohibit any contracting out under OMB Circular A-76; (b) preclude contracting for needed technical expertise beyond the capabilities of our current work force, which is critical to ensuring the on-going operation of advanced systems, such as the communications and navigation systems on NDRF/RRF ships; (c) preclude contracting to meet unexpected, emergency workload increases, where hiring and releasing large numbers of federal staff would be undesirable; and (d) create serious administrative problems with respect to the NDRF/RRF. Finally, section 5 could be interpreted as encouraging the funding of State Maritime Academy Training Ship maintenance and repair (M&R) from the NDRF/RRF account, or encouraging the use of outported NDRF/RRF ships as Training Ships. Training Ship M&R funds are allocated separately from NDRF matters and should remain so. Although contracting with State Maritime Academies for outporting of RRF ships at the Academies is being discussed, no decision to proceed has been made, and statutory authority to implement such an initiative already exists.

In addition, the Administration bill contains three legislative proposals not set forth in H.R. 1486.

Section 5 of our proposal would amend section 1214 of the Merchant Marine Act, 1936, as amended (46 App. U.S.C. 1249), to extend the Secretary's authority, with the approval of the President, to provide war risk and certain maritime and liability insurance, when commercial insurance cannot be obtained on reasonable terms and conditions. The present authority has generally been limited to periods of five years and will expire on June 30, 1990. Therefore, we would extend it for an additional five years. We believe that this is a noncontroversial provision.

Section 6 would amend section 362(b) of Title 11, United States Code, to extend the authority of the Secretary of Commerce and the Secretary of Transportation, 90 days after the filing of a bankruptcy petition, to foreclose on a defaulted mortgage even though

the mortgagor was in bankruptcy. This temporary authority, approved by the Congress in 1986, will expire by its terms on December 31, 1989. We request an extension of this authority to December 31, 1992. This authority has generally proved beneficial to the Government in negotiating settlements of Title XI Guarantee Program claims with debtors in bankruptcy. Unfortunately, many jurisdictions have chosen to ignore this section, therefore negating that statutory intent. It has been particularly helpful in eliminating the incentive for Title XI Guarantee holders, during major downturns in the maritime economy, to file for protection under Chapter 11 and then operate for extended periods of time with no capital cost in competition with other Title XI operators who are current on their debt.

Section 362(b) would be futher amended to clarify that the rights of either Secretary under paragraphs (12) and (13) may not be abridged by any right or power contained in other provisions of Title 11. This provision is intended to overcome confusion by certain bankruptcy courts as to the intent of 11 U.S.C. 362(b)(12) and (13).

Finally, section 7 would amend section 11(a) of the Merchant Ship Sales Act of 1946, as amended (50 U.S.C. App. 1744(a)), to give appropriate recognition to the underlying principles of the Memorandum of Agreement between the Department of Defense and the Department of Transportation, effective October 31, 1988, and to confirm, in law, the recital of permissible uses to which RRF vessels may be put, as set forth in Article 7 of this Memorandum of Agreement.

The Department of Transportation appreciates the opportunity to present these views on H.R. 1486.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this report for the consideration of the Committee.

Sincerely,

ROSALIND A. KNAPP,
Deputy General Counsel.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, as amended, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

46 App. U.S.C. 1294

§ 1294. Expiration of authority to provide insurance

The authority of the Secretary to provide insurance and reinsurance under this subchapter shall expire June 30, [1990.] *1995.*

46 App. U.S.C. 1295c

§ 1295c State maritime academies

(a) COOPERATION AND ASSISTANCE.—

* * * * * * *

(d) ANUAL PAYMENTS.—(1)(A) The Secretary may enter into an agreement, which shall be effective for not more than 4 years, with one State maritime academy (not including regional maritime academies) located in each State or territory of the United States which meets the requirements of subsection (f)(1) of this section, and with each regional maritime academy which meets the requirements of subsection (f)(1) of this section, to make annual payments to each such academy for the maintenance and support of such academy. [The amount of each such annual payment shall be not less than the amount furnished to such academy for its maintenance and support by the State or territory in which such academy is located or, in the case of a regional maritime academy an amount equal to the amount furnished to such academy for its maintenance and support by all States or territories, or both, cooperating to support such academy, but shall not exceed $25,000, or $100,000 if such academy meets the requirements of subsection (f)(2) of this section.]

(B) Subject to clause (C) of this paragraph, the annual payment to the academy under this subsection shall be at least equal to the amount given to the academy for its maintenance and support by this State in which it is located, or, for the regional maritime academy, by all States cooperating to sponsor the academy.

(C) The amount under clause (B) of this paragraph may not be more than $25,000, or—

(i) $100,000 if the academy satisfies subsection (f)(2) of this section; or

(ii) $200,000 if the regional maritime academy satisfies subsection (f)(2) of this section.

* * * * * * *

(g) STUDENT INCENTIVE PAYMENT AGREEMENTS.—(1) The Secretary may enter into an agreement, which shall be effective for not more than 4 academic years, with any individual, who is a citizen of the United States and is attending a State maritime academy which entered into an agreement with the Secretary under subsection (d)(1) of this section, to make student incentive payments to such individual, which payments shall be in amounts equaling $1,200 for each academic year and which payments shall be—

(A) allocated among the various State maritime academies in a fair and equitable manner.

(B) used to assist the individual in paying the cost of uniforms, books, and subsistence; [and]

[(C) paid by the Secretary to the individual in such payments as the Secretary shall prescribe while such individual is attending such academy.]

(C) paid by the Secretary for the first complete or partial academic year of attendance to the individual in a lump sum of $1,200 or on a pro-rated basis based on actual attendance, and

at a time during the second academic year when the individual enters into an agreement accepting midshipman and enlisted reserve status as required under paragraph (2); and

(D) paid by the Secretary for the academic years after those years specified in subparagraph (C) as the Secretary shall prescribe while the individual is attending the academy.

(2) Each agreement entered into under paragraph (1) shall require the individual to [apply for midshipman] *accept midshipman and enlisted reserve* status in the United States Naval Reserve (including the Merchant Marine Reserve, United States Naval Reserve) before receiving any student incentive payments under this subsection.

(3) Each agreement entered into under paragraph (1) shall obligate the individual receiving student incentive payments under the agreement—

(A) to complete the course of instruction at the State maritime academy which the individual is attending, unless the individual is separated by such academy;

(B) to take the examination for a license as an officer in the merchant marine of the United States on or before the date of graduation from such State maritime academy of such individual and to fulfill the requirement for such license not later than 3 months after such graduation date;

(C) to maintain a license as an officer in the merchant marine of the United States for at least 6 years following the date of graduation from such State maritime academy of such individual;

(D) [to apply for an appointment as,] to accept if tendered an appointment as, and to serve as a commissioned officer in the United States Naval Reserve (including the Merchant Marine Reserve, United States Naval Reserve), the United States Coast Guard Reserve, or any other reserve unit of an armed force of the United States, for at least 6 years following the date of graduation from such State maritime of such individual;

(E) to serve the foreign and domestic commerce and the national defense of the United States for at least 3 years following the date of graduation from the Academy—

(i) as a merchant marine officer serving on vessels documented under the laws of the United States or on vessel owned and operated by the United States or by any State or territory of the United States;

(ii) as an employee in a United States martime-related industry, professional, or marine science (as determined by the Secretary), if the Secretary determines that service under clause (i) is not available to such individual;

(iii) as a commissioned officer on active duty in an armed force of the United States or in the National Oceanic and Atmospheric Administration; or

(iv) by combining the services specified in clauses (i), (ii), and (iii), and

(F) to report to the Secretary on the compliance by the individual to this paragraph.

(4) If the Secretary determines that any individual who [has attended a State maritime academy for not less than 2 years] *has accepted the payment described in paragarph (1)(C) of this subsection* has failed to fulfill the part of the agreement (required by paragraph (1)) described in paragraph (3)(A), such individual may be ordered by the Secretary of the Navy to active duty in the United States Navy to serve for a period of time not to exceed 2 years. In cases of hardship as determined by the Secretary, the Secretary may waive this paragraph.

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50 App. U.S.C. 1744

§ 1744. Composition of national defense reserve fleet; vessels available to State marine schools

[(a) The Secretary of Transportation shall place in a national defense reserve (1) such vessels owned by the Department of Transportation as, after consultation with the Secretary of the Army and the Secretary of the Navy, he deems should be retained for the national defense, and (2) all vessels owned by the Department of Transportation on June 30, 1950, for the sale of which a contract has not been made by that time, except those determined by the Secretary of Transportation to be of insufficient value for commercial and national defense purposes to warrant their maintenance and preservation, and except those vessels, the contracts for the construction of which are made after September 2, 1945, under the provisions of the Merchant Marine Act, 1936, as amended [46 U.S.C.A. § 1101 et seq.]. A vessel under charter on June 30, 1950, shall not be placed in the reserve until the termination of such charter. Unless otherwise provided for by law, all vessels placed in such reserve shall be preserved and maintained by the Secretary of Transportation for the purpose of national defense. A vessel placed in such reserve shall in no case be used for any purpose whatsoever except that any such vessel may be used for account of any agency or department of the United States during any period in which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936, as amended [section 1242 of Title 46], and that any such vessel may be used under a bareboat charter entered into pursuant to authority vested in the Secretary of Transportation on July 1, 1950, or granted to the Secretary of Transportation after such date.

[(b) Any war-built vessel may be made available by the Secretary of Transportation to any State maintaining a marine school or nautical branch in accordance with the Act of July 29, 1941 (Public Law 191, Seventy-seventh Congress; 55 Stat. 607 [sections 1123a–1123e of Title 34]).]

(a) The Secretary of Transportation shall maintain a National Defense Reserve Fleet, including any vessel assigned by the Secretary to the Ready Reserve Force component of the Fleet, consisting of those vessels owned or acquired by the United States Government that the Secretary, after consultation with the Secretary of the Navy, determines are of value for national defense purposes and

that the Secretary of Transportation decides to place and maintain in the Fleet.

(b) Except as otherwise provided by law, a vessel in the Fleet may be used only—

(1) for an account of an agency of the United States Government during a period during which vessels may be requisitioned under section 902 of the Merchant Marine Act, 1936 (46 App. U.S.C. 1242); or

(2) under a charter, contract, or other agreement arranged by the Secretary of Transportation.

(c) The Secretary of Transportation may enter into a contract for the maintenance of the Fleet, including the Force, only for—

(1) the repair, activation, operation, berthing, towing, or lay-up of a vessel;

(2) a vessel used by a State maritime academy; and

(3) obtaining maintenance technical services when—

(A) the technical expertise required for that service is beyond the capabilities of the Fleet staff or when the Fleet has insufficient personnel resources to adequately maintain the Fleet; and

(B) the contract does not result in reducing employment at the Fleet site.

○